

LAW OFFICES

GESS MATTINGLY SAUNIER & ATCHISON

201 WEST SHORT STREET

LEXINGTON, KENTUCKY 40507-1269

June 6, 1983

TELEPHONE
AREA 606
255-2344

WILLIAM B. GESS
JACK F. MATTINGLY
STANLEY M. SAUNIER, JR.
JOHN G. ATCHISON, JR.
CHARLES RICHARD DOYLE
CHARLES L. CALK
CHARLES G. WYLIE
JOSEPH RONALD WHEAT
NATALIE S. WILSON
JOSEPH H. MILLER
S. PATRICK TERRY
WILLIAM W. ALLEN
WILLIAM R. HILLIARD, JR.
C. WILLIAM SWINFORD, JR.
RAY A. WEBB
GUY M. GRAVES
LESLIE G. PHILLIPS
CHARLES E. CHRISTIAN
CAROL DAVIS HENDRICKS

14035
RECORDATION NO. Filed 1425

JUN 8 1983-9 02 AM

3-159A071

Ms. Mildred Lee, Room 2303
Interstate Commerce Commission
12th Street & Constitution Avenue, N.W.
Washington, D.C. 20423

INTERSTATE COMMERCE COMMISSION

No.
Date JUN 8 1983
Fee \$ 50.00
GJ
ICC Washington, D.C.

Re: ICC Recordation of Security Agreement and
Financing Statement

Dear Ms. Lee:

Please find enclosed the original and one executed copy of the security agreement and financing statement and the promissory note between Department of Transportation, Commonwealth of Kentucky and TTI Systems, Inc. I have also enclosed a check for \$50.00 payable to the Interstate Commerce Commission for the filing fee. I request that you file said security agreement and financing statement and the promissory note and return a stamped copy to me with the ICC recordation number affixed.

Your anticipated cooperation in this matter is greatly appreciated.

Sincerely,

C. William Swinford, Jr.
C. William Swinford Jr.

CWS, Jr.:308
Enclosures

cc: Mr. John E. King, Vice President
Mr. Charles D. Moore, Jr.

304ICC/LT

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I.C.C.
FEE OPERATION BR.

Interstate Commerce Commission
Washington, D.C. 20423

6/8/83

OFFICE OF THE SECRETARY

C. William Swainford, Jr.
Gess Mattingly Samner & Atchison
201 West Short Street
Lexington, Kentucky 40507-1269

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 6/8/83 at 9:00am , and assigned re-recording number(s). 14035

Sincerely yours,

Agatha L. Mergenovich
Agatha L. Mergenovich
Secretary

Enclosure(s)

JUN 8 1983-9 00 AM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT AND FINANCING STATEMENT

THIS AGREEMENT, made and entered into at the Department of Transportation, Office of General Counsel, State Office Building, Frankfort, Kentucky, this 20th day of May, 1983, by and between TTI SYSTEMS, INC., a Kentucky corporation with offices at 199 East Main Street, Lexington, Kentucky 40507, and THE COMMONWEALTH OF KENTUCKY, DEPARTMENT OF TRANSPORTATION, with offices at State Office Building, Frankfort, Kentucky 40622. The obligation secured hereby is in excess of Two Hundred Dollars (\$200).

The security interest granted hereby is to secure payment and performance of the liabilities and obligations of TTI Systems, Inc. to the Commonwealth of Kentucky, Department of Transportation. On January 13, 1983, the Franklin Circuit Court, Second Division, rendered a Judgment for Two Hundred Sixteen Thousand Dollars (\$216,000) against Transkentucky Transportation Railroad, Inc. and in favor of the the Commonwealth of Kentucky, Department of Transportation, in Civil Action No. 80-CI-2279. In satisfaction of said judgment Transkentucky Transportation Railroad, Inc. paid the Commonwealth of Kentucky, Department of Transportation, Sixteen Thousand Dollars (\$16,000) cash and caused to be delivered to the Commonwealth of Kentucky, Department of Transportation, a promissory note from TTI Systems, Inc. (hereinafter called "Debtor") the sum of Two Hundred Thousand Dollars (\$200,000) of even date herewith and incorporated herein by reference. In order to secure the payment of said promissory note, Debtor hereby grants the Commonwealth of Kentucky, Department of Transportation (hereinafter called the "Secured Party") a continuing security interest in the following items of collateral described below.

Unit No.

#1072 ALCO RS-3 1200 H.P. Locomotive EMD 567 Engine
#1075 ALCO RS-3 1200 H.P. Locomotive EMD 567 Engine
#1076 ALCO RS-3 1200 H.P. Locomotive EMD 567 Engine

The proceeds of the above described collateral are also covered hereby.

1. WARRANTIES. Debtor represents and warrants as follows:

(a) That TTI Systems, Inc. is duly organized and existing under the laws of Delaware and is duly qualified and in good standing in every other state in which it is doing business.

(b) That the execution, delivery and performance hereof are within Debtor's corporate powers, and have been duly authorized, and are not in contravention of law or the terms of Debtor's charter, by-laws or other incorporation papers, or of any indenture, agreement, or undertaking to which Debtor is a party or by which it is bound.

(c) Except for the security interest granted hereby, Debtor is the lawful owner of all collateral, free of all liens and claims whatsoever, with good right to subject the same to security interest hereunder.

(d) All of the above described collateral is maintained, and operated by the Debtor and/or Transkentucky Transportation Railroad, Inc. and stored at Transkentucky Railroad, Inc.'s railroad yards and/or track situated in the following Kentucky counties:

Bourbon, Nicholas, Fleming and Mason.

(e) The office where Debtor keeps its records concerning accounts and contract rights is 199 East Main Street, Lexington, Kentucky 40507.

(f) Subject to any limitations stated therein and in connection therewith, all information furnished to Secured Party concerning the collateral and proceeds thereof, or otherwise for the purpose of obtaining credit or an extension of credit, is or will be at the time the same is furnished, accurate and correct in all material respects and complete insofar as completeness may be necessary to give the Secured Party a true and accurate knowledge of the subject matter.

2. INSURANCE OF COLLATERAL AND INSPECTION OF INVENTORY AND RECORDS.

(a) Debtor shall have and maintain insurance for full and insurable value, at all times with respect to all collateral as Secured Party may require, and containing such terms, in such form, for such periods and written by such companies as may be satisfactory to Secured Party, such insurance to be payable to Secured Party and Debtor as their interests may appear. All policies of insurance shall provide for ten (10) days' written minimum cancellation notice to Secured Party and at request of Secured Party shall be delivered to and held by it. Secured Party may act as attorney for Debtor in obtaining, adjusting,

settling and cancelling such insurance and endorsing any drafts. In the event of failure to provide insurance as herein provided, Secured Party may, at Secured Party's option, provide such insurance and Debtor shall pay to Secured Party, on demand, the cost thereof.

(b) Debtor shall at all reasonable times and from time to time, allow Secured Party, by or through any of its officers, agents, attorneys or accountants, to examine or inspect the collateral wherever located and to examine, inspect, and make extracts from Debtor's books and records. Debtor shall do, make, execute and deliver all such additional and further acts, things, deeds, assurances and instruments as Secured Party may require, to more completely vest in and assure to Secured Party its rights hereunder and in or to the collateral and the proceeds.

3. PRESERVATION AND DISPOSITION OF COLLATERAL.

(a) The Debtor will maintain and preserve the collateral in good order and condition and will not permit the collateral to be wasted or destroyed. The Debtor will not sell or offer to sell or otherwise transfer or dispose of the collateral or of any interest therein without the prior written consent of Secured Party.

(b) The Debtor will not permit or suffer to exist any other security interest in or lien upon the collateral or any financing statement covering the collateral to be on file in any public office except those in favor of the Secured Party. The Debtor will defend the collateral against all claims and demands of all persons at any time claiming the same or any interest therein. The Secured Party, however, may contest any claims made against the Debtor in the name of the Debtor wherein the security hereunder would, by an adverse decision, be impaired, and the Secured Party may charge to the Debtor its expenses in defending any such claims.

(c) The Debtor will pay and discharge, promptly and before any penalty attaches thereto, all taxes, assessments and governmental charges or levies imposed upon or against the collateral, or upon or against this Security Agreement or any notes or other secured indebtedness.

(d) At its option, Secured Party may discharge taxes, liens, security interest or other encumbrances at any time levied or placed on the collateral or may pay for the maintenance and preservation of the collateral. Debtor agrees to reimburse Secured Party, on demand, for any payment made, or any expense incurred by Secured Party pursuant to the foregoing authorization.

4. FINANCING STATEMENTS.

(a) At any time and from time to time, the Debtor agrees to join with the Secured Party in executing the financing statements with respect to the collateral pursuant to the United States Code and the Kentucky Uniform Commercial Code, in form satisfactory to the Secured Party. The Debtor shall pay all cost of filing any and all financing, continuation or termination statements with respect to the security interest created by this Agreement.

(b) This Agreement constitutes a financing statement as well as a security agreement and shall be binding upon and inure to the benefit of the parties, their respective successors and assigns.

5. EVENTS OF DEFAULT: ACCELERATION. On default in payment of any installment of principal or interest when due as set forth in the Promissory Note simultaneously executed on even date herewith, the entire principal hereof then remaining unpaid, together with all accrued interest, shall thereupon, at the option of the holder, become immediately due and payable without notice or demand.

The Debtor hereby acknowledges receipt of a copy of this instrument.

IN WITNESS WHEREOF, the parties have duly executed same by their properly authorized officers.

TTI SYSTEMS, INC.

Debtor

By John E. King
John King, Vice President

COMMONWEALTH OF KENTUCKY
DEPARTMENT OF TRANSPORTATION

Secured Party
By Mel E. Smithers
Mel E. Smithers, Commissioner

PREPARED BY:

GESS MATTINGLY SAUNIER & ATCHISON
201 West Short Street
Lexington, Kentucky 40507-1269

By C. William Swinford

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STATE OF KENTUCKY
COUNTY OF FRANKLIN

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I, Donald M. Estes, a Notary Public do hereby certify that the foregoing Security Agreement and Financing Statement was this 2nd day of June, 1983 produced to me, in the aforesaid State and County by Mel E. Smithers and acknowledged by him to be his act and deed on behalf of the Commonwealth of Kentucky, Department of Transportation (now named Transportation Cabinet).

My Commission expires: March 12, 1985

Donald M. Estes
NOTARY PUBLIC
STATE AT LARGE

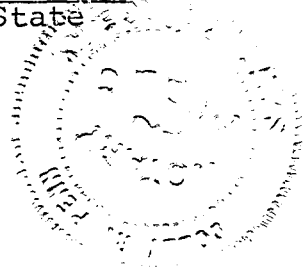
STATE OF KENTUCKY

COUNTY OF FAYETTE

I, Holly Penn, a Notary Public do hereby certify that the foregoing Security Agreement and Financing Statement was this 3rd day of June, 1983, produced to me, in the aforesaid State and County by John E. King, Vice President of TTI Systems, Inc., and acknowledged by him to be his act and deed on behalf of TTI Systems, Inc.

My commission expires: September, 1985.

Holly Penn
NOTARY PUBLIC, Kentucky, State
at Large



PROMISSORY NOTE

\$200,000.00

Lexington, Kentucky

May 20, 1983

FOR VALUE RECEIVED, the undersigned, TTI Systems, Inc., 199 East Main Street, Lexington, Kentucky, promises to pay to the order of the Commonwealth of Kentucky, Department of Transportation, the principal sum of Two Hundred Thousand Dollars (\$200,000.00) together with interest thereon at the rate of twelve percent (12%) per annum until paid, which amount represents the remaining balance due on the judgment the Commonwealth of Kentucky, Department of Transportation, obtained against Transkentucky Transportation Railroad, Inc. on January 13, 1983, in the Franklin Circuit Court, Civil Action No. 80-CI-2279. Said principal and interest shall be paid by the undersigned at the Department of Transportation, Office of General Counsel, State Office Building, Frankfort, Kentucky 40622, or at such other place as the holder hereof shall designate in writing and payable as follows:

In three (3) annual installments of:
(1) \$66,666.67 due and payable January 13, 1984;
(2) \$66,666.67 due and payable January 13, 1985; and
(3) \$66,666.66 due and payable January 13, 1986, together with interest on the unpaid principal balance at the rate of twelve percent (12%) per annum, payable annually simultaneously with the aforesaid installments of principal.

The principal may be pre-paid in whole or part at any time without penalty.

Upon default in payment of any installment of principal or interest when due, the entire principal hereof then remaining unpaid, together with all accrued interest, shall thereupon, at the option of the holder hereof, become due and payable, without notice or demand, such notice and demand being expressly waived; but the time of payment of said interest or of said principal, or any installment or portion thereof, may be extended or re-extended at said holder's option.

If the Commonwealth of Kentucky, Department of Transportation, refers this Note to an attorney, staff counsel or other, for collection, TTI Systems, Inc. agrees to pay all reasonable attorneys' fees, Court costs, charges, and expenses

incurred by the Commonwealth of Kentucky, Department of Transportation, in making demand or collecting this note.

The principal and interest are secured by a security agreement and financing statement of even date herewith between TTI Systems, Inc. and the Commonwealth of Kentucky, Department of Transportation.

TTI SYSTEMS, INC.

ATTEST:

By Norma Cooper
Norma Cooper,
Assistant Secretary

By John E. King
John King, Vice President

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